

Date: November 24, 2022

Ref.NSE/006/2022-23

To
The Manager- Listing
National Stock Exchange of India Limited,
Exchange Plaza, Bandra Kurla Complex,
Bandra (east),
Mumbai -400051

Symbol: PHANTOMFX
ISIN:-INE0MLZ01019

Sub: Transcript of the Earnings Conference Call for the first half year ended September 30,2022.

Dear Sir/Madam,

Pursuant to Regulation 30 read with Regulation 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that the transcript of the Earnings Conference Call – H1 FY2022-23 held in connection with the unaudited standalone financial results of the Company for the first half year ended September 30, 2022, on 18th November 2022, is enclosed and is also available on the website of the Company and can be accessed on the following link:

<https://www.phantom-fx.com/assets/mp3/CVE0220221115144412.mp3>

This is for information and record.

For **Phantom Digital Effects Limited**

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“Phantom Digital Effects Ltd. H1 FY '23 Earnings
Conference Call”

November 18, 2022



**MANAGEMENT: MR. BEJOY ARPUTHARAJ – MANAGING DIRECTOR
MR. RAJINIKANTH E.S. – CHIEF FINANCIAL OFFICER**



*Phantom Digital Effects Ltd.
November 18, 2022*

Moderator: Ladies and gentlemen, good day and welcome to Phantom Digital Effects Ltd. H1 FY '23 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

Before we begin, we would like to mention that some of the statements made in today's discussion may be forward-looking in nature and may involve risk and uncertainties. A detailed statement in this regard is available in the earnings update shared on the exchange.

We shall start the call with the opening remarks, and then we will move on to the Q&A session.

I now hand the conference over to Mr. Atul Daga from Captive IR Strategic Advisors Private Limited. Thank you and over to you, Mr. Daga.

Atul Daga: Yeah. Thank you. Good afternoon, everyone. On behalf of Captive IR Strategic Advisors, I would like to welcome you all for the H1 FY23 earnings conference call of Phantom Digital Effects Ltd.

From the management team, we have with us Mr. Bejoy Arputharaj, the Managing Director, and Mr. Rajinikanth E.S., the Chief Financial Officer of the company. Over to you, sir.

Bejoy Arputharaj: Hello, everyone. I am Bejoy Arputharaj. I am the Managing Director of Phantom Digital Effects Ltd. And I thank everyone now who have joined today and welcome.

So, you know, I just give you a brief introduction about the company and, you know, the services that we are offering and the nature of the business. And I think from there, Mr. Rajinikanth, our CFO can take it forward.

So, the company registered in the year of 2015 though we are in business for so long. You know, we have registered, we actually rebranded ourselves into Phantom Digital Effects Ltd.

So, the company registered in 2015 and as you all know, we got into the IPO a couple of months back. And the services that we offer is majorly it is called visual effects. As you all know, the visual effects is something that is involved in the movie business. But it is not just movie, but we are also, you know, catering our services for game cinematics. We also capturing services for commercials and, you know, AR and VR etc. But the major concentration as of now is in movie and commercials. And also, we are getting our hands on gaming as well.



*Phantom Digital Effects Ltd.
November 18, 2022*

So, we specialize in creating creative visual effects, you know, because there are other companies in India who call themselves the visual effects companies, but most of it is like 95 percentage of companies are non-creative companies who does the least level of job, you know, got outsourced from the international market. But Phantom from day one of its inception, we were keen on creating stuff. We are keen on doing creative business. So, we do all kind of official effects right from the concept sketches, storyboards and artworks too from the supervision to final delivery of the product.

So, we are a complete visual effects service provider which is, you know, very low numbers in India when compared to other. So, that is one key point for the company, and we are very well established in the market. As of now all over India, you know, everybody knows our brand because we have been a part of a lot of major movies like Bahubali, Triple R or 2.0, Enthiran, you know, so many movies to name. Recently Brahmastra also we have been involved. So, there are so many interesting projects in slate as well.

And the company is a TPN certified company. The TPN, which is Trusted Partner Network which is acknowledged by Motion Pictures Association of America. So, this certificate is very important for us to be a part of Marvel movies or Disney, Pixar any movies. So, this particular certificate gives us the validation for us to be a part of their movies as well. So, we are TPN certified, and we are catering our services to both domestic and global market.

When it comes to domestic, it is Bollywood and Telugu market and Tamil and also certain a few Malayalam and Kannada big movies, the big budget movies. So, Phantom is very choosy with their projects. You know, we don't just accept any project that comes our way, but projects with good budget and also good creative challenges.

So, that is what Phantom is known for, you know, so people over here, our clients, everyone knows that not every project goes through Phantom. It has to be eligible for Phantom to choose their project. So, that is the kind of brand value that we have created in the market. And when compared to our competitors, you know, we have been providing very competitive rate in a very good quality. So, even nowadays, you know, before we came to IPO, there has been three major companies, three major Hollywood companies who showed interest to acquire us actually. But you know, we didn't want to go that way because I am just mentioning you this because I wanted you to understand that we are in the global radar as well. So, many foreign companies are comparing us to their output, you know, comparing our output to their assets. And you know, we are giving competitive quality outputs actually.

So, that is a small brief about Phantom. And I am passing it over to Mr. Rajinikanth, our CFO to take it forward.

Rajinikanth E.S.:

Hi. Happy afternoon to all. My name is Rajini. I am the CFO of Phantom Digital Effects Ltd. I would like to just highlight some of the key points with regards to the financial performance for

the half yearly 22 -23. See when you compared with '22, the company has done a turnover of 260.46 million in first half that is financial year 22-23. Almost we are crossing the turnover what was achieved in the last financial year. So, these revenues are mainly from the VFX services like coordinate, I mean, participating with the films, OTT and commercial platform.

And coming to the EBITDA, we have achieved 106.88 million in first half that is financial year 22-23 vis-à-vis in the financial year '22, we have achieved 74.57 million. So, this shows that there is a phenomenal increase in the company, and this EBITDA margin has been increased from 33.39 % when compared to FY22. So, the first half year of 22-23 achieved a percentage of 41.04%. So, this gives the company performance as well as EBITDA level what we were and what we are now.

And then coming to the profit after tax, FY22 we have done a profit after tax to the tune of 49.02 million, which is roughly around 30.85% when compared with the current half yearly financial results. So, half yearly, we have done a PAT of 80.36 million, which proves that the company has stood a PAT margin, which has been increased from 21.95% to 30.85% compared with the FY22 and the FY23 first half. So, this shows that the company is in a better position in terms of PAT, which gives financial cash flow also into the company.

And coming to the net current assets for the first half, we stood 121.89 million, and the long-term borrowings has been increased. Due to that we took a working capital limit from one of the banks which has been taken before we get into the public platform. Right now, the long-term borrowing stood at 29.22 million, which is majorly from the Axis Bank as working capital limit vis-à-vis last year the same thing was much lower. And compared to the cash flow operation, it stands 7.92 million for the first half. And these are all the major highlights in terms of financial performance for the half year FY 22-23.

With this I can just sum it up from our end. Over to IR.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Tanuj from Ventura Securities. Please go ahead.

Tanuj: Sir, actually had a question on the Capex that we will incur for the next two years or acquiring about 2,000 people? So, I just wanted to understand what would be the cost that we will incur?

Sir, I just wanted to understand what would be the cost that you will incur to acquire 2,000, like the cost you will incur to set up a facility for 2,000 people?

Bejoy Arputharaj: I think we are working on that as of now.

Rajimikanth E.S.: See, to give the set up of 2,000 people, so that's where our IPO money we are looking from the public. We will be comfortable to give these numbers by 23-24 financial year in the first half.

So, that's how the work is going on. Already we have taken an office at Mumbai to add 250 members. And Chennai we are in the process of expanding to bring another 600 people. And Hyderabad already we have identified the place and may be a short while we will bring in another 100 people. Cochin we have also identified the place. There again, we will bring in another 100 people. So, hopefully, by the next half year we will be able to comfortably provide or else worst come worst by '24 we will be able to fill this 2,000 employees as we promised in the prospectus. Hope I am clear.

Tanuj: Yes, sir. And another question is, like, I wanted to understand how the revenue is built? Like is it on the project basis or if it's on manpower based, then what is the revenue per man-hour? If it's project based, then what is the money?

Rajinikanth E.S.: See, as our MD has rightly said that the turnover is purely on the manpower. Okay. If we increase the manpower, then definitely which enable to bring in a better results. The expansion is required mainly to increase the manpower as well as increase the revenue on the top line and bottom line. This is what the strategy. The project could be like minimum of 1 million and maximum it could be like 10, 20 crores also. It's not a problem. The only thing is as much as if you are increasing the employee, the results are in a better position.

Tanuj: Sir, I wanted to understand how the revenue is built. Like, how the revenue is build, as in like if you tie up with a movie, then -

Bejoy Arputharaj: So, the bidding process happens based on the man-hours we invest. So, whenever a project comes in, what we do is we completely go through the script and understand where the visual effect is needed in every scene or every shot, and how many shots involved, and in every shot, how many tasks are involved, and we segregate that first. So, based on the tasks, we will be able to identify the number of man-hours that we will be investing.

So, when we do a bidding, we just break down everything into tasks, and based on the task numbers, the task count and shot count, we give our man-hour to our clients. So, you know, based on man-hours we are, you know, so end of the day when we finish the job, you know, we know exactly. We have our own production management software and tools that we have built in-house with our technology team. So, we will be able to know what we have built and what we are going for. So, while the project running itself we will know if it is going to exceed or we are doing it in a better way, and we are saving money or not. So, that way, end of the day, we will exactly know, we will be able to calculate how much we have spent and how much we have bid for the project. So, that's how we bill. So, based on our man-hours, we are building it.

Tanuj: So, can I get the revenue per man-hour if that is possible?

Bejoy Arputharaj: Billing? How much we bill is what you ask?

- Tanuj:** Like what is the revenue per hour maybe. What's the collar revenue?
- Bejoy Arputharaj:** Yeah. It is actually, you know, it depends on the client and the project. For example, for a recent project that we worked with the Marvel, we even got per man day Rs. 14,000 on average. But at the same case for a domestic project, it goes down to 9,000 to 10,000 also. So, both ways it is profitable work only, but it depends on the project. So, we are more keen on getting more international projects with better profit margins actually.
- Tanuj:** And I had another question on the marketing cost for the overseas offices.
- Bejoy Arputharaj:** That we are still working on because we are hiring. We already have identified executive producer. Before coming to IPO, we had a couple of people who are working for us already, and we are right now in the process of expanding our new office space in Vancouver and Los Angeles. We have hired few marketing people already, and we are also in the process hiring few more people. So, that I think probably in a later point of time we will be able to reveal that.
- Moderator:** Thank you. Next question is from the line of Sidej, an individual investor. Please go ahead.
- Sidej:** My question was related the PPO. As on H1 FY23, what I see is that the trade receivables is 161.3 million whereas the actual sales is 260. So, it translates to about a little over 60%. So, I wanted to know how is the sales realized in the balance sheet? And what is the reason for this high receivables to sales ratio?
- Rajinikanth E.S.:** As far as the receivable is concerned, there is only one customer who is likely to pay to us 9 crore, which is predominantly in a beer contract as far as Phantom is concerned. So, due to their internal financial thing as well as the conclusion of the final number of the contract value, the bills are held by them due to certain internal clarification, but however, they have promised to clear all these dues before end of this third quarter.
- And moreover, this is the production house who has been continuously giving business to us since the date of incorporation. So, we believe that these receivables are not having any risk in terms of collection. And moreover, last week they have given one more project worth of 5 crores. So, based on this and the long-term relationship, we expect that this can be received. There won't be any issue at all.
- Apart from that, there is always a possibility of showing a receivable of 5 to 6% in each and every quarter which will be continuous in process in terms of collection. So, we don't foresee any kind of an hiccups in terms of cash flow.
- Sidej:** And a follow-up question would be how does the collection process happen as in is it based on the completion percentage like if we complete 25%, we receive a portion of the contract or how is it like?

Rajinikanth E.S.: The contract could be operated like this. See, there are two process which needs to be understand. One is on a bidding process where the bid is completed or the contract is awarded to us. The client has to pay advance. Okay. The advance percentage could be minimum 10% and maximum 20%, or it depends upon the cases to case, the advance might vary. However, while doing the revenue, we are booking based on the percentage of completion as on the respective quarter or financial year.

Sidej: And all the very best team for your bright future. I see a lot of potential in this company and best of luck.

Moderator: Thank you. Next question is from the line of Astha from Anand Investments. Please go ahead.

Astha: Sir, I would like to congratulate you all on the stellar performance. And sir, my questions are that, you know, you all have won a contract of 9.5 crores. So, can you all please elaborate on whether the contractor is for commercials or OTT?

Rajinikanth E.S.: See, majority from the commercials, which mean to say that VFX and animation. I would say 20% could be from the OTT roughly.

Astha: So, sir, going forward we will be focusing more on commercials, right?

Bejoy Arputharaj: No, no, actually, what he meant is commercial means you are meaning advertisements, right?

Astha: Yeah. I mean, yeah.

Bejoy Arputharaj: No, no, no, this 9 crore project awarded is not the commercial. It is a film actually. So, OTT we have recently, you know, got awarded a few from OTT as well, you know, Netflix and Amazon as well. This 9 crore project, one is for Hotstar, and another one is a different client. So, they are both are films, but one film is being released in OTT. And as you know, the market now after COVID has changed. So, the need for OTT is tremendously increased and you know, everybody are more into OTT nowadays. So, yes, of course, there will be a very big boom in OTT. So, we are very keen on working for a lot of OTT projects. That is the original.

And we are very closely working with Netflix. For Netflix, we are the first go to vendor in India. So, whenever any big project comes to them with visual effects, they come to us first for anything. So, only after we say that we cannot accommodate it, then it goes to somebody else. So, we are very close with Netflix India, and we are also working with Netflix International as well, and we are working with Apple, and we are working with Hotstar. Recently, we signed a project with the Disney Hotstar as well. So, you know, there is a very good network with OTT for Phantom.

But at the same time, theater release is also happening because every movies are ultimately ending up in OTT. So, you cannot differentiate it as a theater release or OTT. So, you know, major business is from movies. Commercials we are gearing up for accommodating more commercials, because there is, when it comes to commercials, you know, it is a very short turnaround. You know, we have to deliver projects in like two weeks, three weeks. And so we are constantly improving our capability to accommodate commercial client requests as well. But the money is also at the same time very small. You know, the projects will be having maximum of 40, 50 lakhs of CGV effects need when it comes to Indian commercials. So, we are targeting International commercials actually.

Astha: Sir, what would be your expected contribution from the OTT in the coming years?

Bejoy Arputharaj: We are expecting that to be at least around 60, 70%.

Astha: Sir, my last question would be, you know, we have like approximately 40% of the revenue is from international operations. So, you know, do we see any margin difference between the domestic and international operations?

Bejoy Arputharaj: Yeah, there is a huge margin difference actually. So, that is the reason we are, you know, very keen on developing our international marketing strategies and pulling in more, you know, probably a kind of movies actually. So, there is a difference definitely.

Astha: So, sir, what would be our targeted business from international operations in the coming years? So, what would be your targeted like how much we would target from the international operations? How much business we would, you know?

Bejoy Arputharaj: Yeah. At least 50%, you know, we are targeting actually.

Moderator: Thank you. Next question is from the line of Harish, individual investor. Please go ahead .

Harish: Can you please elaborate on the orders that you are having right now? I just want to know the orders right now you are having.

Bejoy Arputharaj: See, currently, we are having an order of approximately 60 crores to be done, which will be completed over a period of six or nine months.

Moderator: Thank you. Next question is from the line of Utsav Srivastava from Metaverse. Please go ahead.

Utsav Srivastava: So, I have a couple of questions. One is that is the growth in this business linear? So, my question, basically, if you have 300 people right now, and you are doing about 13 crores a quarter, and I multiply both by 6, so does that work? If people go to 1,800, will revenue go to 80 crores a quarter?

- Rajinikanth E.S.:** Yeah. You are right. The more we are increasing the number of employees, the top line and the bottom line will be different.
- Utsav Srivastava:** Correct. And it is linear.
- Rajinikanth E.S.:** Yeah.
- Utsav Srivastava:** And the other question I have is that as you build and keep on doing more and more VFX, is it there that, let's say, you have created a fake submarine or artificial submarine, and tomorrow you get a similar order. So, does the cost of delivering the next order become that much closer, lesser? You can use the same images of the same things over a period of time. Does it work that way?
- Bejoy Arputharaj:** Yeah. Of course, you know, we call that as digital assets. So, for example, if we are creating a tiger or a lion for a project, that is the asset of Phantom. So, when there is another project with a similar need of a tiger or a lion in a different movie, we actually charge for the making of the tiger. But you know, the fact is like we already have this asset. So, we save a lot of time. So, we do a few changes so that it doesn't look similar to the previous movie. But you know, that actually saves a lot of money. And also, it's a good profit margin for the company.
- Utsav Srivastava:** Interesting. The other, I think somebody else has also asked this question, but I will just repeat it. So, you had given a order book of about 55 to 60 crores when you had come out with your results, and then you have recently announced a 10 crore order. So, these orders will get over within this financial year? Is there a possibility that the 60, 70 crore -
- Rajinikanth E.S.:** No, it will be spill over to the next financial year also. The tenure as of now is six to nine months.
- Utsav Srivastava:** 40 odd crores should happen in H2?
- Rajinikanth E.S.:** 50% I could say H2.
- Utsav Srivastava:** 50% of that, so about 35 crores.
- Rajinikanth E.S.:** Yeah.
- Moderator:** Thank you. The next question is from the line of Sachin from Accenture Wealth. Please go ahead.
- Sachin:** I have a question like do we have any projections for FY24?
- Rajinikanth E.S.:** Yeah, we too. So, we are trying to make sure that the turnover can be doubled in the '24.
- Sachin:** So, assuming in '23 the turnover could be say 60 crores.

- Rajinikanth E.S.:** 55 to 60 crores.
- Sachin:** It could be 120 crores.
- Rajinikanth E.S.:** Yeah.
- Sachin:** And the margins could be retained?
- Rajinikanth E.S.:** Maybe I would say 5, 10% plus minus.
- Sachin:** It can go either way.
- Moderator:** Thank you. The next question is from the line of Hardik Bhatt from FutureWorks Media. Please go ahead.
- Hardik Bhatt:** My question is as you are saying you can double in the next year and the growth that you are seeing is linear with the human resource, but the human resource right now it's like jumping from one company to other companies. Due to this the cost of employees had been increasing a lot. So, how do you think you can cope up with this kind of cost?
- Bejoy Arputharaj:** For this we actually we have a strategy, you know, done. So, we have a very strong training division. So, every three months we are producing at least around 60 to 80 people from our training division, and that is how we are managing our human resource requirement as of now. And we also have plans to have our own institution in the near future. And we are constantly in touch with many institutions all over India, and we are doing campus tries. We are doing workshops for people from all the colleges. So, that's how we are manageable our human resource.
- Hardik Bhatt:** Because you might have seen lot of international companies been coming here, like Technicolor and other kind of companies, MPC and others. So, with those kind of companies entering the market in India, it's kind of difficult I can see for in your goal of double of the sales that you are saying.
- Bejoy Arputharaj:** Yes. It is there, but the company has a unique culture. I am not sure if you are aware, but we have around 80 core team members who are awarded with company shares. I have personally gifted my shares to them. So, these are all people who are traveling with me for more than 8 to 10 years. So, that's the kind of company's culture. So, for the company, your employee comes first, and we personally take care of everybody's personal needs. And we are very, you know, more of family than a employee, employer relationship. So, everybody wants to work for Phantom. So, we believe that that is not going to change in the near future. We are coming up with more employee benefits. And so that's the strategy we have for employees actually.

Moderator: Thank you. Next question is from the line of Jayesh from Jayesh & Group Company. Please go ahead.

Jayesh: First of all, congratulations on your good set of numbers. So, I do have a couple of questions related to services and average contribution and duration of contracts. So, my first question is I would like to understand the types of services which you provide at Phantom? Is it just VFX or it includes like animation, 3D art, framing solutions etc.? So, will you please just put some light on this?

Bejoy Arputharaj: Yeah. We are serving all the sectors actually. But our major concentration is right now with visual effects and animation. But we are into creating game cinematics also. We are supporting a lot of gaming companies with their cinematic needs and creating 3D models. So, it depends on the need of the client and their budget and timeline always. So, in the near future, we are having plans to have our own gaming art solutions also. So, that is all in play actually.

Jayesh: Following this, so what is your Phantom's average contribution in each movie or OTTs? I am talking about the VFX part, like how much contribution, the average contribution in each movies?

Bejoy Arputharaj: It varies actually. It depends on the movie's scale. For example, if it is a scale of Bahubali or Triple R, no company can completely contribute to it because it will take a lot of time to finish and deliver. So, it will be split among few more companies, like at least 8 to 10 companies will be participating depending on the year also.

Jayesh: It's on average basis, right? On an average contribution you are talking about, right?

Bejoy Arputharaj: Yes. That depends actually. So, you know, like, recently we worked on a movie where Mel Gibson was starring. So, that movie we worked for Lionsgate. We completely supervised. We were on sets. Also, right from the concept sketches to final delivery, Phantom was taking care of it. So, there are such movies that we completely 100% contributor also, and there are certain movies that has a limited timeline for deliveries, and so the client will be wanting to split the work. So, it differs between 20 to 30% of every movie. And for certain movies that has low number of visual effects or it depends on the client, you know, end of the day if they have a lot of time and if we have time to accommodate their project full, then we accept the whole project. So, it depends on each and every project.

Jayesh: So, my last question is, what is the average duration of contracts? So, is there a different execution time for OTT or commercials, like what exactly it is, like the average duration of the contracts?

Bejoy Arputharaj: Commercials always comes with a very short time. You know, it will be few weeks or maximum will be a month or two. But for movies it goes beyond 1.5 years also, you know, 18 months also,

24 months also. It depends. Again, it depends on the complexity of the kind of visual effects that is involved in the movie.

Moderator: Thank you. Next question is from the line of Shivam, individual investor. Please go ahead.

Shivam: Sir, I just wanted to ask you, yesterday something Piyush Goyal, Minister, told that CIA can be very grateful for making things like Avatar. So, I just wanted to know, are you seeing some government policy changes or some new policy from the government supporting VFX industry going ahead?

Bejoy Arputharaj: Yeah. I have been constantly being called from the government and even the next week I got a call from Goal International Film Festival from the government end to participate in a roundtable conference. And I went to Hyderabad. I personally met with the IT Secretary there. They are all very keen on developing the infrastructure for visual effects, and they are very keen to nurture more talent in their states. And even Central Government in the last budget has announced our industry, they have recognized our industry, and they said that they are going to invest more on our industry. And so the government is nowadays very keen on improving the AVGC sector. And I see there is a great scope with the government support, and that is already happening. So, every state where we visited, you know, where we show interest to invest, the government is very much supportive, and they are very keen on investing.

Moderator: Thank you. Next question is from line of Shruti Iyer from Blooming Rich Investments. Please go ahead.

Shruti Iyer: Thank you for the opportunity. And congrats on a good set of numbers to the Phantom team. Firstly, my first question would be regarding what is the revenue contribution from our top five, the top 10 clients that we have?

Rajinikanth E.S.: See the revenue contribution, majority from the top 10 companies, this is a repetition in order. I would say that in terms of total revenue, the top 10 companies will contribute at least 65% on that.

Shruti Iyer: So, following up on that question, can you just throw some insights on our top project and our marquee clients as of now?

Bejoy Arputharaj: Current projects? No, no, we cannot reveal the projects actually, because we are under strict NDA with our clients, and that's how the industry operates actually. So, probably you can call the CFO in a separate line, and we will discuss more about that.

Shruti Iyer: And sir, I would also like to understand what is our client retention ratio?

Bejoy Arputharaj: Client retention ratio is 8 out of 10.

Moderator: Thank you. The next question is from the line of Ajay Lokesh from Aditya Birla Capital. Please go ahead.

Ajay Lokesh: So, the question here is, like, at what rate the industry is growing? That is my first question. And second, where do we see ourselves in the next five years from the revenue perspective, CAGR for every year, and then also roughly profit margin for the next five years for this particular industry, for the company?

Bejoy Arputharaj: So, the industry's growth as I said, you know, it's in a global scale, you know, a recent survey says that India has only crashed 5 percentage of what global market is in terms of AVGC. So, that's the kind of, you know, scale that available in the global market, and India is just starting to take its baby steps. So, there is a lot of potential, and that is the reason there are so many multinational companies all around the world are starting their services in India, not just for, you know, they are not keen on domestic market, but they are looking after the resources from India, like in the 90s how it was with the IT industry. So, that's the kind of growth ratio and growth rate in India for this industry. And the talent pool is very good. So, you know, everybody are coming and setting up their shops here. So, I think the growth is tremendous and what the growth rate is like, as I said, the global market is like 5% we have, you know, the contribution of India is like 5% only. So, we have still the 94%, 95% to be explored, and it's a huge market. And you know, whoever has more manpower will be definitely getting awarded with a lot of projects, because the only thing that we have to compete is with quality. So, that is what Phantom's strategy is right now. So, we are trying to compete with the quality of what a Hollywood studio can produce, but at the rate of an Indian market. Not Indian market, but in a competitive rate. So, that is the answer for the first question. And what's the second question?

Ajay Lokesh: Yeah. In five years from now, at what CAGR can we expect Phantom something to grow from the top line perspective, and roughly the margin perspective? I mean, maintenance of the margin?

Rajinikanth E.S.: See, we have predicted the profitability for the next two financial years, that is '24 and '25 ending, could be 5 to 10% variation on what we have achieved in the first half of financial year 22-23. And we need to understand the futuristics also and based on the expansion we can definitely able to give you better results than what we are in now, maybe plus or minus of 5%.

Ajay Lokesh: So, that means a CAGR, what is that we can expect, at least with respect to the revenue for the next five years?

Rajinikanth E.S.: Correct.

Ajay Lokesh: I mean, what is that we can expect? Can we expect Phantom can grow revenue by around about at least 30% every year for the next five years?

- Rajinikanth E.S.:** I would say from 2024 and onwards, on an average of 25 to 30% could be in incremental.
- Ajay Loksha:** And a follow-up question is right now what we understand is predominantly, the projects that run in U.S. or maybe North American region or in European regions, the profit margin will be generally significantly higher, whether we take of IT companies or any other service company similar to us. Like, do you have in the company any strategy to increase the share from the projects which are predominantly North American or European origin so that with less increase in the revenue we can significantly increase the margin going forward?
- Bejoy Arputharaj:** No, I don't understand the question actually. Can you please break this?
- Ajay Loksha:** Yeah. The question is, like, we have a lot of projects across different parts of the world, right. So, generally speaking, Hollywood projects or any projects that is coming out of U.S. or North American region, the profit margin generally will be significantly higher compared to any other part of the globe, right?
- Moderator:** Yeah.
- Ajay Loksha:** So, as a company, do you have any strategy to purposefully increase the proportion of North American business or European business going forward that will significantly contribute to a great profit margin for the company?
- Bejoy Arputharaj:** Yes, I understood your question. So, that's the reason we are setting up our offices in, you know, LA and Vancouver. The major reason is to tap in, you know, all the major production houses. And Vancouver, you know, we have this tax debates as well, and a lot of talent pool as well. So, we are setting up a studio in LA and Vancouver. That's the reason we are doing that, and we are increasing our marketing strength as well in both the regions, and we are also looking at the European market as well, because a lot of significant movies are being made and with good budget as well. So, we are also looking at the European market as well.
- Ajay Loksha:** And then right now the USD appreciation against rupee, how much will that be contributing to the company's performance roughly on a percentage basis?
- Rajinikanth E.S.:** You mean to say the difference in foreign exchange?
- Ajay Loksha:** Yeah. Because right now we understand that in the last several months, rupee has severely differentiated in front of USD.
- Rajinikanth E.S.:** Yeah. This gives the additional revenue to the company to the tune of 0.5% on the turnover.
- Ajay Loksha:** On the turnover.

- Moderator:** Thank you. Next follow-up question is from the line of Utsav from Metaverse. Please go ahead.
- Utsav Srivastava:** So, now we have this Meta coming up in a big way across the world. So, does Phantom have any strategy to be part of this Meta Universe?
- Bejoy Arputharaj:** Yeah. We are already, you know, exploring that, and we are already supporting a lot of companies who are into Meta creation, and we are supporting them with providing a lot of artwork and asset works and all. And we are also exploring with our technology team, we are also exploring the options of, you know, getting into producing our own Metaverse.
- Utsav Srivastava:** So, my final question is that just on the gaming side if you could just elaborate where we are? And you said we are looking at launching some products. So, just if you could elaborate on that, what is it you have in mind?
- Bejoy Arputharaj:** Yeah. When it comes to gaming, you know, there needs to be a lot of technical. You know, we are all mostly into the art side of creation. But when it comes to gaming, we have to be very strong in the technical side of it too, and that's the reason we are developing our technology team as well. You know, they are both participating in the research wing of Phantom and also improving our technology side. So, you know, based on the investments, you know, we are having an idea to slowly get into the game development also, but we are already contributing for a lot of gaming companies in the art side like creating, you know, characters designs, creating characters, creating environment designs, you know, stuff like that. So, we are already in the, we are contributing to the gaming sector. We are already creating cinematics and all. But you know, in terms of for the programming, we are yet to go, but we are keen on getting into that as well. So, based on the Investments, you know, we have a plan to move into that sector as well.
- Utsav Srivastava:** I think during this call you have mentioned that about 60 to 80 people get trained by you. So, is this some academy we have, a VFX training academy?
- Bejoy Arputharaj:** Yeah. That is the plan for the future but right now, you know, we have completely done a groundwork, and we have a training division, in-house training division, which is taking care of all our training needs. So, we have a standard curriculum and everything set up. So, the groundwork is done for the institution. So, the next plan is to establish a institution where can people come and study from all over India. So, that's the plan for the future.
- Utsav Srivastava:** That can become a revenue model as well.
- Bejoy Arputharaj:** Yes, yes, because right now we are paying people and you know, for their training. So, we thought of why don't they pay for their training as well? So, we can also attack, you know, in that way, we can also produce more quality people for the rest of the industry.

Moderator: Thank you. Next question is from the line of Ajay Lokesha from Aditya Birla. Please go ahead.
I hand over back to

Ajay Lokesha: Thanks for the opportunity again. The question is like what are all the three biggest risks that you are anticipating at the moment? And how are we mitigating those things at the front end itself?

Bejoy Arputharaj: I cannot name all the three as, you know, I am not prepared for this question. But you know, the major risk that we saw in the past is one is the pandemic, but we have overcome it. You know, we had a very dedicated team who stuck with us even after the pandemic. And you know, we found a way to work remotely. Our infrastructure health, our robust pipeline health, so we were prepared for it. And you know, any kind of God's Act is what I would say is a major impact. Other than that I don't see any major threat for the company,.

Ajay Lokesha: And then right now do you see any external advantages that we are going to get because of the outcome, I mean, because of the post-pandemic world? Like right now many things have been shifted to work from home and yeah, even watching movies on the mobile phones and TVs in the home itself, it is significantly increased. So, how is that contributing to the Phantom's growth strategy as well in the future?

Bejoy Arputharaj: After the pandemic, the need for movies and new content has increased. And you know, there are so many OTT platforms that have emerged as you see. There are so many new channels coming every day and, you know, every channel needs their own content because they cannot just like that purchase, because in every production house they have their own channels now. You know, even Warner Brothers have their own, not just Disney or HBO or anyone, but everybody is now coming up with their own channels, because they have their own content. So, now whoever has just the channel is looking out for content. So, that is the reason they are, you know, producing their own. So, there is a need for, you know, content creation, and when it comes to content creation, there is definitely 30% of visual effects involved in every movie. So, that is the rate of growth, and I see that is one significant change that happened after the pandemic.

Ajay Lokesha: And also one more trend recently that's going on in India at least is that most of the movies predominantly originating from South India, they are becoming predominantly going into the more mainstream in comparison to the previously what Bollywood used to do it. So, are you also somehow strategizing this particular trend like how can we cope up with this change in trend?

Bejoy Arputharaj: Yeah. That is one reason we are strengthening our presence in all the southern region of India. So, that's one main reason we are going to have our Hyderabad division, you know, where we have good connections already. But you know, when there is a studio in Hyderabad, the filmmaker, Telugu filmmakers are spending a lot of money equivalent to Bollywood. So, people

will be more comfortable, you know, interacting with the team in their local region, in their local language. And so that is one strategy that we are thinking of. Not just south, but also that's the reason we are developing our Mumbai team as well. So, we are working on both the resource end and also the client and considering both these opportunities.

Ajay Loksha: And will the success of movie will anyway contribute to your revenue work? I mean, will there be any clauses like that in your contracts?

Bejoy Arputharaj: No, no, no, not, you know, there are a few companies who does it. They will be a co-producer for the movies with very visual effects and probably after the success they used to take the profit out of it. But we still now haven't done anything like that, but maybe in the future we might change our strategy.

Moderator: Thank you. Next question is from the line of Anand Patel, individual investor. Please go ahead.

Anand Patel: Sir, my question is what average, what percentage of contract revenue comes to company before release of the film?

Rajinikanth E.S.: See, 100% we will have to get the contract revenue. Otherwise, we won't give the final product or output from our end.

Anand Patel: Before the release of the movie, we get 100% of revenue. So, there are no receivable problems in a sense?

Rajinikanth E.S.: Correct, correct.

Moderator: Thank you. Next question is from the line of Shiddat, individual investor. Please go ahead.

Shiddat: So, team, you already mentioned about this Metaverse opportunity that lies ahead, and I wanted to know if there were like any significant projects, Metaverse projects that we have because that is something that is said to grow exponentially for the next generation? So, wanted to know about that.

Bejoy Arputharaj: No, as of now, there are two, three concepts that is being developed, and we are right now working on it, but nothing in the past that has come from us. But we have been participating in a lot of Metaverses before like, you know, supporting with assets and artworks and all. So, there are few concepts that is being developed which I cannot reveal right now, but yes, in the future, you know, we might come up with some good stuff.

Shiddat: And the next question is, we have this diluted EPS mentioned in the shareholding information chart for the results update, and I wanted to know what would be the basic EPS? And is it the half yearly EPS that has been mentioned there?



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Rajinikanth E.S.: See, EPS we have calculated based on the weighted average earning per share. We haven't included the number of shares which has come to the public, because that has happened post half yearly recent only, okay, in the sense the allotment was in October. So, we have calculated the EPS based on number of shares held till 30th September. So, when we apply that weighted average for EPS could be Rs. 41 something.

Shiddat: So, this obviously would be coming down in the next half process, right, like, based on weighted average?

Rajinikanth E.S.: Yeah.

Moderator: Thank you. I now hand the conference over to Mr. Bejoy for closing comments.

Bejoy Arputharaj: Thank you so much, everyone. Thank you for participating today, and I thank all the investors who have been part of this IPO. And we are looking at a very prospective, you know, quarter and to close with a very successful numbers in this '23. So, once again, I thank everyone, and if there is any further questions, you can very well ask IR team following after this. Thank you so much.

Moderator: Thank you very much. On behalf of Phantom Digital Effects Ltd., and Captive IR Strategic Advisors Private Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.